

OIL & GAS CONSERVATION COMMISSION  
Meeting: May 21, 1976  
Mr. John Bannister, Exec. Secy.



OFFICE OF  
**Oil and Gas Conservation Commission**  
STATE OF ARIZONA

PHOENIX, ARIZONA  
PHONE: (602) 271-5161

A G E N D A

Meeting  
May 21, 1976  
8686 North Central Avenue, Suite 106

10:00 a.m.

Call to order

1. Approval of minutes of meeting  
of March 19, 1976
2. Report of Executive Secretary
3. Report of Enforcement Section
4. Report of Geology Section
5. Old Business  
BUDGET
6. New Business  
RENT - Paper ASU
7. Adjourn

IF YOU ARE UNABLE TO ATTEND THIS MEETING, PLEASE NOTIFY  
THIS OFFICE AS SOON AS POSSIBLE.

OIL AND GAS CONSERVATION COMMISSION  
8686 North Central Avenue  
Suite 106  
Phoenix, Arizona 85020

May 21, 1976

The regularly scheduled meeting was not held as a quorum was not present.

Commissioners present were Chairman Ralph W. Bilby and Member J. Dale Nations. Member Dale Butler was previously excused; Vice Chairman W. Roger Hafford was excused for emergency reasons and Member G. E. H. Ballard did not inform the Commission of his intention not to attend.

Chairman Bilby scheduled the next meeting for June 18, 1976 in Flagstaff, Arizona.

APPROVED

Ralph W. Bilby

OIL AND GAS CONSERVATION COMMISSION  
8686 North Central Avenue  
Suite 106  
Phoenix, Arizona 85020

Due to lack of adequate funds, no meeting was scheduled  
for April, 1976.

  
Ralph W. Bilby, Chairman



OFFICE OF

**Oil and Gas Conservation Commission**

STATE OF ARIZONA  
8686 N. Central, Ste. 106  
~~XXXXXXXXXX~~  
PHOENIX, ARIZONA ~~XXXX~~ 85020  
PHONE: (602) 271-5161

May 12, 1976

Memo: Commissioners  
From: John Bannister

To date, there has been no change in the Commission's budget situation or in the order to reduce personnel. We are taking all steps possible to help in the placement of Jim Scurlock, Charles Druitt and Saralee Lorenzo. Obviously, it will be easier to secure placement for Saralee in that turnover and demand for secretarial help is much greater than the demand for professional help. It will be necessary that any unused vacation time be paid; unused sick leave is not compensated by the state. We have been advised that funds are in the budget to take care of terminating expenses, should we not have sufficient funds in our current Personal Services account.

As you are aware, the Independent Petroleum Association of America met in Phoenix the first of this week. I took the opportunity to talk to several operators about the possibility of positions for Jim Scurlock and Charles Druitt. The general atmosphere is not favorable at this time. The meeting of the IPAA was generally somewhat gloomy. The focus of the attention of the association was on the need of its members to become actively engaged in the local and national politics. Each member was urged to contact not only his federal and state legislators, but also to explain the critical position in which the oil industry has been placed by federal action to his neighbors and to any and all people he could reach.

It is interesting to note that at the general meeting the Honorable James G. Watt, a Commissioner on the Federal Power Commission, expressed the opinion that it is a necessity that the price of natural gas be allowed to be determined by market conditions and not by government edict. Commissioner Watt further expressed the feeling that the FPC soon would adopt nation-wide rates for newly discovered gas, hoping that this might somewhat encourage gas exploration. However, he

Memo: Commissioners  
May 12, 1976  
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continued to say that only through the operation of the normal economic market would economic encouragement for natural gas be forthcoming. He also said that curtailments during 1975 were not as severe as anticipated, due to the mild winter and a greater supply of natural gas available. He did say that it was anticipated that curtailments would be necessary for the coming winter.

The Association adopted the recommendation of its Natural Gas Committee to seek deregulation of the wellhead price of natural gas, as to be expected.

The report of the Cost Study Committee indicated increasing dollar costs in well drilling, with the percentages of the dollar expended remaining relatively the same. That is, the cost of drilling in 1974 as compared to 1959 was percentage-wise approximately the same distribution of payments to drilling contractors, for equipment, transportation, logging, etc.

The Supply and Demand Committee estimated that the 1976 domestic petroleum demand will average 17.2 million barrels daily, which is up 5.5% from last year, but below the 1973 level. They estimated that the 1976 domestic production would average 8.1 million barrels per day, almost 300,000 barrels daily below 1975. They indicated that the United States economy should continue a strong recovery trend.



OFFICE OF

**Oil and Gas Conservation Commission**

STATE OF ARIZONA

XXXXXXXXXXXX 8686 N. Central  
PHOENIX, ARIZONA XXXX Suite 106, 85020

PHONE: (602) 271-5161

**ACTIVITY REPORT**

May 13, 1976

W. E. Allen  
Enforcement Section

A paper on the Pedregosa Basin of Southwestern New Mexico and Southeastern Arizona was recently presented at the Southwest Section meeting of the American Association of Petroleum Geologists. In this paper, the authors stated that "based on the stratigraphic similarity to the Permian Basin, the Pedregosa Basin could yield an ultimate recovery of 18-23 billion barrels of oil and 40-70 trillion cubic feet of gas". In addition, they thought that significant quantities of gas and oil might be produced from the deeper Mesozoic rocks in this basin.

Studies, the authors claimed, are now under way to measure the reservoir and source parameters to show where the prime targets lie within the regional stratigraphic framework.

The Bureau of Land Management has recently announced that non-competitive geothermal lease sales will be held during fiscal 1977 for Arizona in the Aqua Caliente and Vulture areas. In fiscal 1978 leases will be offered in the Recortado Mountain, Whitlock and San Francisco areas.

Webb Resources has completed and plugged its fourth and fifth tests. These wells were the NMAL #6-1 in the NE/SE/4, Section 6, T14N,R22E, Navajo County and the NMAL #8-1 SW/NE/4, Section 8, T14N,R20E, Navajo County. At a total depth of 3608', the drillpipe became stuck. After, repeated efforts to free the stuck drillpipe had failed, the operators backed off the free portion of the drillpipe and started washover operations. When the washover pipe twisted off there was nothing left to do except plug the hole - which they did. The geologist on this well was fairly sure that granite was topped at 3602'.

Webb has been issued a permit to drill the Rocking Chair Ranch #29-1 in the NW/SE/4, Section 29, T14N,R20E, Navajo County. This test was spudded May 7, 1976.

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Enforcement Section  
May 13, 1976

A permit has been issued to Wichita Industries, Wichita Falls, Texas to drill a 4000' test in the SE/SE/4, Section 1, T19N, R7E, Coconino County. It is my understanding that this is to be a three-well program.

I'm sure you are aware that one of the casualties of the recent cutback in Commission personnel is my gal, Saralee Lorenzo. She has proven herself to be a very good employee. I have been contacting various other state agencies in an effort to place her prior to her termination date of June 30, 1976.





OFFICE OF

**Oil and Gas Conservation Commission**

STATE OF ARIZONA  
8686 N. Central Ave., Suite 106  
4515 NORTH 7TH AVE.  
PHOENIX, ARIZONA 85018 85020  
PHONE: (602) 271-5161

**ACTIVITY REPORT**

May 12, 1976

J. N. Conley  
Director, Geology Section

**PUBLICATIONS**

Sales for the past month amounted to \$98.50. Purchasers were:

Santa Fe Drilling, Orange	Kaiser Aluminum & Chemical Corp., Oakland
Nancy Carlisle, Tucson	Hillmac Production Co., Denver
Ralph Whitmore, Safford	Robert A. Beebe, Tucson
Grant Atkinson, Mesa	U.S. Bureau of Reclamation, Phoenix
Ashland Oil Co., Inc., Denver	Royal Crest Oil Corp. of Nevada, Phoenix
Ashland Oil Co., Inc., Houston	Kenneth Fletcher, Yucca Valley
Impel Corp., Denver	R. R. Ritter, Douglas
Urangesellschaft USA, Inc., Denver	T. T. Hayes, Scottsdale/Sasabe

**ENERGY EXPLORATION BY INDUSTRY**

Oil and Gas. Webb Resources, Inc., has released data pertaining to the first four exploratory wells drilled in the Holbrook basin.

Permit No. 655 - Apache County, T. 15 N., R. 25 E., sec. 30  
Spud Date: 1-9-76 Completion Date: 2-2-76 Status: Plugged & abandoned  
Formation Tops:

Permian	
Coconino	265'
Supai	682'
Base/Ft. Apache	1791'

Pennsylvanian	
Naco	3250'
Precambrian	3718'

Total Depth: 4032' in granitic rock  
Show of oil and gas: Few minor shows of gas detected

Permit No. 656 - Navajo County, T. 20 N., R. 15 E., sec 25  
Spud Date: 2-3-76 Completion Date: 3-3-76 Status: Plugged & abandoned  
Formation Tops:

Permian	
Coconino	272'
Supai	1080'
Base/Ft. Apache	2163'

Pennsylvanian	
Naco	2997'

Mississippian	
Redwall	3551'

Activity Report  
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Devonian	
Martin	3621'
Basement	
Metasediments	3697'
Granite	3767'

Total Depth: 3796' in granite

Shows of oil and gas: Few minor shows of natural gas and helium detected

Permit No. 657, Navajo County, T. 19 N., R. 17 E., sec. 36

Spud Date: 3-5-76 Completion Date: 3-22-76 Status: Plugged & abandoned

Formation Tops\*: (Tentative picks)

\*Operator has not yet filed final complete well report.

Permian	
Coconino	425'
Base/Ft. Apache	1896'
Pennsylvanian	
Naco	2728'?
Mississippian	
Redwall	3692'
Devonian	
Martin	?
Precambrian	
Granite	3780'

Total Depth: 3806' in granite

Permit No. 658, Navajo County, T. 14 N., R. 22 E., sec. 6

Spud Date: 3-23-76

Formation Tops\*: (Tentative picks)

\*Operator has not yet filed final complete well report.

Permian	
Coconino	0
Base/Ft. Apache	1608'
Pennsylvanian	
Naco	?
Mississippian	
Redwall	Absent?
Devonian	
Martin	3312'
Precambrian	
Granite?	3562'

Total Depth: 3631' in granite

Based on our preliminary interpretation of the structural attitude of the top of the shallow Permian Coconino Sandstone, all four of the wells are situated on north-plunging noses.

Webb's fifth well, Permit No. 659, in T. 14 N., R. 20 E., sec. 8, has been plugged and abandoned. Permit No. 660, the sixth well, is an active operation. It is in T. 14 N., R. 20 E., sec. 29. Both of these wells are in Navajo County. In

Activity Report  
May 12, 1976  
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Coconino County, Wichita Industries, Permit No. 661, is a location for a test to basement. It is in T. 19 N., R. 7 E., sec. 1.

#### GENERAL

Geothermal. The Geothermal Energy Institute, San Francisco, Calif., is planning on presenting a symposium on the Geothermal Energy Potential of Arizona in Phoenix on October 1 and 2, 1976. To date Donald F. X. Finn, managing director of the Institute, has lined up approximately 20 papers dealing with various aspects of the geothermal energy potential of Arizona. He has requested that John Bannister present a paper dealing with the regulatory and taxation aspects and that our Section present a paper on geothermal gradients in the state.

National Drilling Activity. The number of active rotary operations continues to decline. In the Rocky Mountain region, which includes Arizona, active rotaries as of April 22, 1976, totaled 155. A year ago the count was 243.

National Crude Oil Reserves. Total United States proved reserves of crude oil declined by nearly 1.6 billion barrels during 1975 despite an increase in the number of wells drilled. As defined by the industry, proved reserves are those amounts which geologic and engineering data demonstrate with reasonable certainty to be recoverable from known reservoirs under the economic and operating conditions existing at the time of the estimate.

Helium. According to the U.S. Bureau of Mines, a rising trend in domestic helium demand which began in 1972 continued during 1973 when sales increased approximately 12%, partially in response to increased requirements for research and in breathing mixtures. Demand is expected to increase at an annual rate of about 7% through 1980.

Exhaustion of the few large gas fields which now supply most U. S. helium will cause resort to natural or inert gases containing less than 0.3% helium unless comparable accumulations are found. A typical average gas analysis of the wells in the small Pinta Dome field in Apache County shows: 8.2% helium, 90% nitrogen, 0.2% methane, and 1.6% other gases.

Presently uneconomic accumulations of helium have been established or indicated in northern Apache County. A Texaco well in T. 41 N., R. 30 E., sec. 36 produced 385,774 MCF of gas with a helium content of 6.03% from a Mississippian Redwall carbonate reservoir prior to abandonment in 1969. Kerr-McGee has two shut-in Paleozoic (Devonian and Pennsylvanian) helium wells in the Dineh-bi-Keyah oil field. The gas from the Pennsylvanian Lower Hermosa Formation has a helium content of 4%.

Other scattered wildcat wells in Apache County have reported shows of helium in Paleozoic reservoirs. Inasmuch as helium originates from the decay of uranium and thorium derived from igneous rocks, accumulations are not necessarily limited to areas where oil and gas are found. Arizona has an unevaluated potential for helium in oil and gas areas and in uranium mining areas and volcanic and geothermal areas.

#### VISITORS

Name	Representing
Joseph Faull	W. A. Oil Company
Dave Hertzke	Urangesellschaft, U.S.A., Inc., Denver
W. H. Eddy	Stilko

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May 12, 1976  
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W. R. Walters	Carl Rosin Engineering Contractors
Carl Rosin	" " " "
Peter Thomas	Trans American Oil, Denver
Ed Bouma	Self
Bob Hampton	Self
Roger Sherer	Energy Resources Exploration Services
Joseph Durek	Kaiser Aluminum & Chemical Corp., Oakland
Kenneth Fletcher	Self
Jim Rozum	U.S. Bureau of Reclamation

JNC:os

  
J.N.C.

# MONTHLY FINANCIAL REPORT

RECEIPTS MONTH OF APRIL 1976	CLASSIFICATION	APPROPRIATED RECEIPTS	UNAPPROPRIATED RECEIPTS	TOTAL ALL RECEIPTS YEAR TO DATE
25 00	1 Permits to Drill		25 00	225 00
	2			
	3			
	4			
	5			
	6			
	7			
	8			
	9			
	10			
	11			
	12			
	13			
	14			
	15			
	16			
	17			
25 00	TOTAL CURRENT MONTH RECEIPTS		25 00	XXXXXX
	TRANSFERS IN			
XXXXXX	BALANCES BROUGHT FORWARD		4,126 83	XXXXXX
25 00	TOTALS - MONTH AND YEAR TO DATE		4,151 83	225 00

CLAIMS PAID MONTH OF APRIL 1976	FUND TITLES	TOTAL AMOUNT AVAILABLE YEAR TO DATE	CLAIMS PAID YEAR TO DATE	OUTSTANDING ENCUMBRANCES	UNENCUMBERED BALANCE
14,173 27	1 Personal Services	122,800 00	98,093 20		24,706 80
2,375 76	2 Emp. Related Exp.	17,300 00	13,724 33		3,575 67
2,392 78	3 Other Operating Exp.	25,879 33	23,115 16	2,160 69	603 48
393 00	4 Prof. & Outside Serv.	3,000 00	949 25	1,867 00	183 75
620 52	5 Travel - State	7,700 00	6,045 98	753 60	900 42
-	6 Travel - Out of St.	2,200 00	1,435 60	-	764 40
-	7 Cap. Outlay - Equip.	700 00	390 91	-	9 09
	8				
	9				
	10				
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	28				
	29				
	30				
19,955 83	TOTALS	179,279 33	143,754 43	4,781 29	30,743 61

AGENCY Oil & Gas Conservation Comm.

DIVISION

IDENTIFICATION CODE NO.

1	2	3	4
CLAIMS PAID YEAR TO DATE	OBJECT CODE NO.	DISTRIBUTION OF EXPENDITURES CLASSIFICATION	CLAIMS PAID MONTH OF APRIL 1976
930 00	7111	1 Per Diem: Commission Members	1 210 00
97,163 20	7112	2 Salaries: Employees	2 13,963 77
		3	3
509 01	7151	4 Industrial Insurance	4 188 18
444 23	7152	5 Unemployment Insurance	5 278 05
4,584 13	7153	6 F.I.C.A.	6 816 90
6,801 26	7155	7 Retirement	7 922 43
1,070 70	7156	8 Health Insurance	8 115 20
315 00	7159	9 Personnel Comm.	9
		10	10
	7215	11 Professional Services: Engineer	11
949 25	7219	12 Professional Services: Other	12 393 00
		13	13
879 71	7221	14 Travel-State: Mileage	14 28 80
1,641 30	7222	15 Subsistence	15 130 50
	7223	16 Public Transportation	16
3,465 87	7224	17 Vehicle Expense	17 430 72
59 10	7225	18 Reg. Fees; Parking; etc.	18 30 50
		19	19
503 00	7232	20 Travel-Out of State: Subsistence	20
907 60	7233	21 Public Transportation	21
	7234	22 Airport Parking	22
25 00	7235	23 Reg. Fees; Telephone; etc.	23
		24	24
17,697 68	7251	25 Occupancy: Office Rent	25 1,608 88
	7261	26 Warehouse Rent	26
	7263	27 Maintenance & Repairs	27
286 00	7272	28 Mtn. & Repairs: Furniture & Equipment	28
1,415 17	7280	29 Office Supplies	29 211 54
	7280.1	30 Orthophoto Quads.	30
82 19	7300	31 Field Supplies: Film; Am.Strat; P.I.; etc.	31
	7331	32 Printing: Reports; Large Maps; etc.	32
227 95	7332	33 Legal Advertisement	33
106 60	7333	34 Court Reporter	34
645 00	7334	35 Postage	35 130 00
2,331 77	7335	36 Telephone	36 408 56
	7337	37 Drayage; Express; etc.	37
	7339	38 Rental, Misc.	38
72 80	7360	39 Dues & Subscriptions	39 33 80
		40	40
396 91	7431	41 Capital Outlay: Office Equip.	41
	7434	42 Spec. Equip. (Geol.)	42
	7436	43 Automobile	43
		44	44
250 00	7913	45 Revolving Fund	45
		46	46
		47	47
		48	48
		49	49
		50	50
		51	51
		52	52
		53	53
		54	54
		55	55
143,754 43		TOTAL	19,955 83



OFFICE OF

**Oil and Gas Conservation Commission**

STATE OF ARIZONA  
8686 N. Central Ave. Ste. 106  
~~XXXXXXXXXX~~  
PHOENIX, ARIZONA 85020  
PHONE: (602) 271-5161

April 29, 1976

CONFIDENTIAL

Memo: Commissioners  
From: John Bannister *JB*

I have just been advised that the Joint Legislative Appropriations Committee has recommended a substantial reduction in the Commission's budget request.

It appears that we will be ordered to reduce the staff by three people, i.e., two Geologists, Grade 19, and one Secretary, Grade 9. In reviewing this with the Personnel Division, the reduction will have to be strictly on the basis of seniority, however Jim Scurlock and Charles Druitt are the Commission's only Grade 19. In the case of the Secretary, Saralee Lorenzo is the junior.

Doug Cerf, a member of the Joint Legislative Budget Committee, informed me that this reduction was solely brought on by Senator Sue Dye of Tucson, due to the fact that the Commission has no female geologists. During our budget hearing before the Senate Subcommittee, Senator Dye, who is a prominent leader of women's liberation in the Senate, expressed total dissatisfaction with the Commission having three well-paid geological positions but employing no females in this line. I explained that we had but little say in the matter, in that we had to hire from the list furnished us by the Personnel Division. As yet, the name of no female geologist has been furnished to this Commission.

Also, concern was expressed over the fact that our geologists were not "in the field" and I explained the different types of geological work and apparently there was some dissatisfaction on this point.

I made mention that during our hearings both the Senate and House Subcommittees expressed complete satisfaction with the performance of this Commission and I feel that Mr. Cerf's evaluation of our position is correct.

Apparently the Legislature has also not chosen to allow money for

Memo: Commissioners  
April 29, 1976  
Page 2

capital expenditures and indications are that funds will be made available to bring you Commissioners in only every other month, as is being done in the current year.

I would again stress that this is not a criticism of the Commission's programs or functioning.





OFFICE OF

**Oil and Gas Conservation Commission**

STATE OF ARIZONA  
8686 N. Central Ave. Ste. 106  
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PHOENIX, ARIZONA 85018 85020  
PHONE: (602) 271-5161

THE NEXT SCHEDULED COMMISSION MEETING WILL BE  
MAY 21, 1976 AT 10:00 A.M. AT THE COMMISSION  
OFFICES AT 8686 NORTH CENTRAL AVENUE, PHOENIX,  
ARIZONA, SUITE 106.

OIL AND GAS CONSERVATION COMMISSION  
8686 North Central Avenue  
Suite 106  
Phoenix, Arizona 85020

Minutes of Meeting  
March 19, 1976

Present:

Mr. W. Roger Hafford,  
Vice Chairman  
Dr. G. E. H. Ballard, Member  
Mr. Hal Butler, Member  
Dr. J. Dale Nations, Member

Absent:

Mr. Ralph W. Bilby, Chairman

The regular Commission meeting for the month of March, 1976 was called to order by Vice Chairman Hafford at 10:00 a.m.

Dr. J. Dale Nations, making his first meeting as Commissioner, was introduced.

Minutes of the meeting of January 16, 1976 were approved as written.

Reports of Executive Secretary, Enforcement Section and Geology Section were accepted.

After discussion, Executive Secretary was instructed to draft a letter to the Governor urging his support of the joint proposal of Standard Oil Company of California (Sohio) and El Paso Natural Gas Company to bring crude oil from Prudhoe Bay, Alaska to the Midland, Texas area. Executive Secretary was further instructed to draft a letter to the Governor urging his support of the proposal of El Paso Natural Gas Company to bring natural gas from Prudhoe Bay to the lower forty-eight states. The drafts are to be forwarded to Commissioners for their approval before the letters are sent to the Governor.

Executive Secretary advised that in accordance with the direction of the Commission at the January 16, 1976 meeting, the staff, in cooperation with Kerr-McGee Corporation, has set up an energy display in the mall of the downtown Phoenix Valley National Bank Building. As the display has only been shown one day, no comments have been received.

Bills introduced in this session of the Legislature which involve the Commission, or were of interest to the Commission, were discussed.

Executive Secretary advised that at the direction of the

Minutes of Meeting  
March 19, 1976  
Page 2

Commission a letter of appreciation has been sent to retiring  
Commissioner F. Keith Benton.

The next regular meeting will be May 21, 1976.

Meeting adjourned at 11:20 a.m.

APPROVED

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Ralph W. Bilby, Chairman

Also present:

Mr. A. K. Doss  
State Land Department  
Phoenix, Arizona



OFFICE OF

**Oil and Gas Conservation Commission**

STATE OF ARIZONA  
8686 N. Central Ave. Ste. 106  
~~PHOENIX, ARIZONA 85020~~  
PHOENIX, ARIZONA 85020  
PHONE: (602) 271-5161

April 7, 1976

Memo: Commissioners  
From: John Bannister

I regret "pushing you" on the question of our letters to Governor Castro concerning the Commission's support of the two El Paso Natural Gas proposals, i.e., the gas line and oil line, however the Interagency Energy Planning Office has somewhat taken the lead in seeking to endorse these proposals and to so advise Governor Castro. Also, the Corporation Commission has come out with its approval and I feel the Commission's endorsement and support should be made known as soon as possible in order to give more weight and effect.

I have been keeping track of certain legislation affecting the Commission. It should be noted that of the bills I discussed with you during our last meeting, none are receiving any action of note.

House Bill 2002 creating an Arizona Energy Office, has been assigned to a subcommittee and I will appear before the subcommittee on April 8th. Other agencies involved will also appear. I still feel it is unlikely that this bill will pass this year unless there are substantial amendments.

House Bill 2047 creating a Bureau of Geology and Mineral Technology, has received no action.

House Bill 2323 provides for an Energy Resources Conservation and Development Commission and has received no action.

House Bill 2386 creating an Arizona Energy Department has received no action.

Senate Bill 1068 which provides a severance tax on oil and gas has received no action.

Senate Bill 1135, providing for an Arizona State Alternate

Memo: Commissioners  
April 7, 1976  
Page 2

Energy Review Board is being held in the Senate Natural Resources Committee.

Senate Bill 1266 providing for a reduction in depletion allowances for State taxing purposes has passed the Senate and has gone to the House. It has received no action in the House and will likely die.

Senate Bill 1340 providing for a Department of Geology and Mineral Resources, has undergone complete revision and now pertains merely to the mechanics of locating a mineral claim and no longer affects this Commission or energy matters.

Senate Bill 1350 providing for the establishment of an Inter-agency Energy Planning Board, has received no action.

The State's emergency plan covering both natural or man-made disasters, as well as nuclear warfare, is undergoing revision. Originally, the Oil and Gas Commission had a most active role in these plans, under which it became pretty much the State Energy Czar. However, as you may recall, during the gasoline shortage two years ago the State Fuel and Energy Office was created and, by law, incorporated many of the functions this Commission was to exercise in the event of these emergencies. As a result, under the new state emergency plan the Fuel and Energy Office will assume the duties formerly assigned to this Commission. This Commission's role will now primarily be as advisor to the Governor and to the Fuel and Energy Office.

The Independent Petroleum Association of America will meet in Phoenix at the TowneHouse on May 9 through 11.

The energy exhibit at the Valley National Bank, to which this Commission contributed, ended April 3rd. As you were advised, Kerr-McGee aided us in displaying the exhibit, which concerned salt domes and oil occurrences, and was most professionally done.

The IOCC summer meeting will be held June 27 through 30 and permission for me to attend is requested. This meeting will be in Wichita, Kansas. As you are aware, I am the Chairman of the Environmental Protection Committee, as well as the Governor's official representative to the IOCC.

I have accepted an invitation from Arizona State University to address a conference entitled "Energy in Perspective" on June 7th. This is a conference sponsored by ERDA and my subject will be "Gas and Oil: Natural Gas, SNG, Oil, Oil Shale

Memo: Commissioners  
April 7, 1976  
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and Tar Sands". The conference will be for high school and college educators who are concerned in energy-related disciplines.

On April 2nd I was requested to appear before the subcommittee of the House Appropriations Committee concerning the Commission's budget. No particular problems arose and I foresee no special problem with our proposed budget for the year 1976-77. However, it was indicated that even though our addendum of some \$2400 to purchase a new reproduction machine and \$400 for a start-up of supplies had been accepted, the Governor may request that no addenda be approved. However, the committee before which I appeared indicated an understanding of our problem and support of our addendum. I will advise you as to future developments.



OFFICE OF

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STATE OF ARIZONA  
8686 N. Central Ave., Suite 106  
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PHOENIX, ARIZONA 85012 85020

PHONE: (602) 271-5161

ACTIVITY REPORT

April 7, 1976

J. N. Conley  
Director, Geology Section

**PUBLICATIONS**

Sales for the past month amounted to \$73.00. Purchasers were:

Duval Corp., Tucson  
Phillips Petroleum Co., Denver  
Gresham Geophysical Corp., Phoenix  
R. W. McComas, consultant for Burmah Oil,  
Canoga Park  
Sun Oil Co., Dallas  
Superior Oil Co., Houston  
Geology Dept., Rice University, Houston  
Morrison-Maierle, Inc., Farmington

Central Trust Co. Trustee, Scottsdale  
Eddie Gilmore, Deming  
Cities Service Oil Co. Library, Tulsa  
Boyle Engineering Co., Phoenix  
Santa Fe Drilling Co., Orange  
Arizona Refining Co., Phoenix  
Royal Crest Oil Corp., Scottsdale  
Geomet Exploration, Boulder  
Oil Development Co. of Texas, Amarillo

Index of Samples of Drill-Bit Cuttings and/or Cores of Wells Drilled in Arizona, Catalog 1-A. This is an update of our first catalog, which was published in June 1971. The catalog lists sets of samples or cores of wells drilled for oil and gas, helium, stratigraphic, and mineral information, storage caverns, and water that have been added to our sample repository since June 1971.

Mean Annual Temperature Map of Arizona. Copy-ready material for printing this map will be completed this week.

**INVESTIGATIVE PROJECT**

A proposal to the Four Corners Regional Commission, a federal agency, for funding a project by the Department of Geosciences, University of Arizona, and this Commission has been rejected. The reason stated was that other proposals had higher priorities. The project was entitled: Refinement of a basement-block tectonic model for the Colorado Plateaus and application to evaluate the oil and gas potential of the Mogollon Slope region of Arizona.

**ENERGY EXPLORATION BY INDUSTRY**

Oil and Gas. Webb Resources, Inc., will probably reach basement rocks on the fourth hole of the scheduled drilling program this week. This hole is in sec. 6, T. 14 N., R. 22 E., Navajo County. Previous wells:

T. 15 N., R. 25 E., sec. 30, total depth 4028 feet in basement rock  
T. 20 N., R. 25 E., sec. 25, total depth 4863 feet in basement rock  
T. 19 N., R. 17 E., sec. 36, total depth 3805 feet in basement rock

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Uranium. The search for uranium continues to be very active.

#### LEGISLATION AFFECTING ARIZONA

Oil Depletion Allowance - Arizona. Senate Bill #1266 has passed in the Senate. In the House the bill has been referred to Rules, Ways, and Means, and Natural Resources committees. This bill proposes to reduce the present 27½% depletion allowance to conform with that of the Federal Government's Energy Act of January 1975. This act abolishes the depletion allowance for the petroleum industry, excluding only the small independent producers. It provided him with a deduction of 22% of the gross from the first 2,000 barrels of oil or 12 million cubic feet of gas per day in 1975. The percentage gradually drops after 1975 to 15% of the first 1,000 barrels of oil or 6 million cubic feet of gas per day in 1984.

California's Elk Hills Oil. Congress and the President have approved a bill to permit exploitation of the Elk Hills Naval Oil Reserve. There is a possibility that some of this oil may be transported across Arizona to refineries in Texas.

#### FEDERAL AGENCIES - PROGRAMS OR PROPOSALS AFFECTING ARIZONA

United States Geological Survey. The Survey's director, Vincent E. McKelvey, has announced a large internal reduction of budget funds affecting several programs involving Arizona, such as evaluation of geothermal resources, basic research for water resources, and topographic mapping.

One of the highlights of the budget request is a program to improve supervision of oil and gas and mineral operations on federal and Indian lands, with respect to safety, environmental protection, and royalty accounting.

Oil and Gas Leasing Fees - Federal Lands. The United States Department of the Interior Bureau of Land Management (BLM) has announced proposed amendments to leasing regulations that will double the cost of acquiring a block of oil and gas leases on federal lands. Annual rental fees for all new non-competitive oil and gas leases would increase from \$0.50 to \$1.00 per acre. The fee for assignment of a leaseholder's interest in an oil and gas lease to another party would increase from \$10.00 to \$25.00.

The proposal would not affect rental fees for leases already in force. These would remain at \$0.50 per acre for the duration of a lease. The original filing fee of \$10.00 would not be increased.

#### GENERAL

National Drilling Activity. Chart 1 and Table 1 shown below illustrate what price incentives can do to increase drilling activity and attendant new discoveries of oil and gas fields.



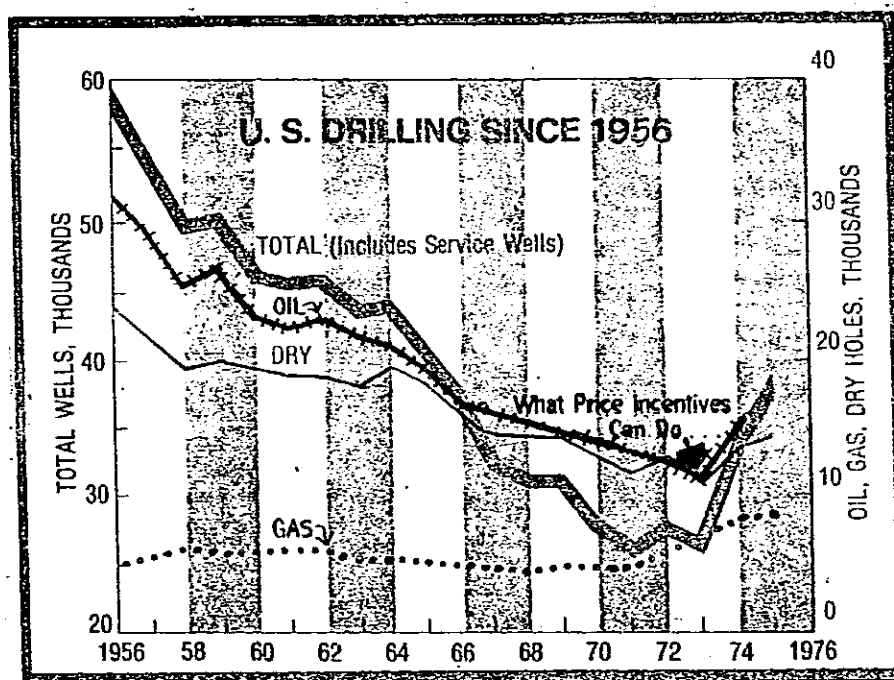


Chart 1

Table 1. New Well Completions in the United States, 1973-1975

	OIL	GAS	DRY	TOTAL
1973	9,555	5,894	10,017	25,466
1974	13,719	7,032	11,867	32,618
1975	16,626	7,437	13,203	37,266

The removal of most price controls after the OPEC oil embargo in 1973 stimulated drilling activity, which found new oil and gas reserves. Reimposition of price controls and numerous new regulations this past February has already seriously curtailed drilling activity, particularly so for wildcat wells in onshore frontier areas. The national rig count as of March 22, 1976, showed a decline of 135 from March 24, 1975. A large number of the rigs stacked in warehouse yards are those capable of drilling expensive exploratory holes in established oil provinces in search for new reserves in deep (25,000-30,000 feet) untested geologic stratigraphic units.

U.S. Oil Production and Imports. As of February 6, 1976, domestic oil production was at the rate of 8,246,000 barrels per day. A year ago the rate was 8,580,000 barrels, or a decrease of 334,000. For the week ending February 6, 1975, imports totaled 6,413,000 barrels per day. For the 4-week period ending March 12, 1976, imports averaged 7,700,000 barrels per day.

Geological and Petroleum Engineers. The Energy Research and Development Administration (ERDA) has reported that the need in the United States for engineers and physical scientists will continue to grow but that the supply should be adequate to prevent manpower shortages hindering fossil and other energy programs.

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This may be a very optimistic conclusion. The 1975 engineering graduating class was the smallest in seven years.

	Degrees Granted		
	B.S.	M.S.	Ph.D.
Total	38,210	15,733	3,138
Petroleum Engineering	309	74	20
Geological Engineering	146	50	17

#### VISITORS

Herman Loeb, Pennzoil, Houston, Texas  
John W. McCarthy, El Paso Natural Gas, El Paso, Texas  
R. Ralston, Phillips Petroleum, Denver, Colorado  
Genevieve Atwood and Salt Lake City, Utah  
Ray Worley  
Ralph Ocho, Arizona Atomic Energy Comm, Phoenix, Arizona

JNC:os

*JNC*  
J.N.C.



OFFICE OF

**Oil and Gas Conservation Commission**

STATE OF ARIZONA

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PHONE: (602) 271-5161

ACTIVITY REPORT

April 7, 1976

W. E. Allen  
Enforcement Section

Some time has recently been spent with members of the Division of Emergency Services reviewing and discussing plans and procedures for establishing a statewide fuel allocation chief. This fuel allocation officer would become functional in the event of a severe crisis or emergency, such as an enemy attack or the serious threat of air attack.

Time was also devoted to researching two proposals for bringing natural gas from the North Slope of Alaska to the lower 48 states. These proposals have been presented to the Federal Power Commission and to the Department of Interior.

Artic Gas, a consortium of United States and Canadian companies, is vying with El Paso Natural Gas Company for the right to transport Alaska gas.

Webb Resources has completed their State #36-1 located in the NE/SE/4, Sec. 36, T19N, R17E, Navajo County. This well penetrated basement rocks and has been plugged and abandoned as a dry hole. Webb is presently drilling their fourth test, namely, New Mexico-Arizona Land Company, NMAL #6-1 in the NE/SE/4, Sec. 6, T14N, R22E, Navajo County. This location is approximately 10 miles north of the town of Snowflake.

Kerr-McGee Corporation has shut down its helium extraction plant in Navajo, Arizona. This plant was shut down

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Activity Report  
Enforcement Section

February 25, 1976. Production in the Pinta Dome field had declined to such an extent that it was no longer economical to operate this plant. Kerr-McGee now plans to plug their wells in the Pinta Dome Unit and abandon all operations.

Several months ago, Kerr-McGee made some effort to take over operations of the Navajo Springs Unit. It is doubtful that if they had been successful in this venture, the Navajo Springs Unit would have supplied enough additional gas to prolong the closing of the plant for any great period of time.

# MONTHLY FINANCIAL REPORT

1 RECEIPTS MONTH OF <i>Mar. 1976</i>	2 CLASSIFICATION	3 RECEIPTS	4 APPROPRIATED RECEIPTS	5 UNAPPROPRIATED RECEIPTS	6 TOTAL ALL RECEIPTS YEAR TO DATE
<i>50 00</i>	1 Permits to Drill				
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	17				
<i>50 00</i>	TOTAL CURRENT MONTH RECEIPTS			<i>50 00</i>	XXXXXX
	TRANSFERS IN				
XXXXXX	BALANCES BROUGHT FORWARD			<i>4,076 83</i>	XXXXXX
<i>50 00</i>	TOTALS - MONTH AND YEAR TO DATE			<i>4,126 83</i>	<i>4,126 83</i>

6 CLAIMS PAID MONTH OF <i>Mar 1976</i>	7 EXPENDITURES FUND TITLES	8 TOTAL AMOUNT AVAILABLE YEAR TO DATE	9 CLAIMS PAID YEAR TO DATE	10 OUTSTANDING ENCUMBRANCES	11 UNENCUMBERED BALANCE
<i>9,309 18</i>	1 Personal Services	<i>89,770 00</i>	<i>83,919 43</i>	-	<i>5,850 57</i>
<i>1,416 42</i>	2 Emp. Related Exp.	<i>12,640 00</i>	<i>11,348 57</i>	-	<i>1,291 43</i>
<i>140 00</i>	3 Prof & Outside Serv.	<i>2,250 00</i>	<i>556 25</i>	<i>1,660 00</i>	<i>33 75</i>
<i>928 99</i>	4 Travel - State	<i>5,775 00</i>	<i>5,425 46</i>	<i>287 15</i>	<i>62 39</i>
<i>280 97</i>	5 Travel - Out of State	<i>2,200 00</i>	<i>1,435 60</i>	-	<i>764 40</i>
<i>2,078 48</i>	6 Other Operating Exp.	<i>24,619 48</i>	<i>20,722 38</i>	<i>3,503 06</i>	<i>394 04</i>
-	7 Cap. Outlay - Equip.	<i>400 00</i>	<i>390 91</i>	-	<i>9 09</i>
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<i>14,154 04</i>	TOTALS	<i>137,654 48</i>	<i>123,798 60</i>	<i>5,450 21</i>	<i>8,405 67</i>

AGENCY Oil & Gas Conservation Comm.

DIVISION \_\_\_\_\_

IDENTIFICATION CODE NO. \_\_\_\_\_

1	2	3	4
CLAIMS PAID YEAR TO DATE	OBJECT CODE NO.	DISTRIBUTION OF EXPENDITURES CLASSIFICATION	CLAIMS PAID MONTH OF <i>March 1976</i>
720 00	7111	1 Per Diem: Commission Members	1
83,199 43	7112	2 Salaries: Employees	2 9,309 18
		3	3
320 83	7151	4 Industrial Insurance	4
166 18	7152	5 Unemployment Insurance	5
3,767 23	7153	6 F.I.C.A.	6 544 60
5,823 83	7155	7 Retirement	7 651 62
955 50	7156	8 Health Insurance	8 115 20
315 00	7159	9 Personnel Comm.	9 105 60
		10	10
	7215	11 Professional Services: Engineer	11
556 25	7219	12 Professional Services: Other	12 140 00
		13	13
850 91	7221	14 Travel-State: Mileage	14 199 14
1,510 80	7222	15 Subsistence	15 249 50
	7223	16 Public Transportation	16
3,035 15	7224	17 Vehicle Expense	17 480 35
28 60	7225	18 Reg. Fees; Parking; etc.	18
		19	19
503 00	7232	20 Travel-Out of State: Subsistence	20 80 00
907 60	7233	21 Public Transportation	21 200 97
	7234	22 Airport Parking	22
25 00	7235	23 Reg. Fees; Telephone; etc.	23
		24	24
16,088 80	7251	25 Occupancy: Office Rent	25 1,608 88
	7261	26 Warehouse Rent	26
	7263	27 Maintenance & Repairs	27
286 00	7272	28 Mtn. & Repairs: Furniture & Equipment	28 22 00
1,203 63	7280	29 Office Supplies	29 134 75
	7280.1	30 Orthophoto Quads.	30
82 19	7300	31 Field Supplies: Film; Am.Strat; P.I.; etc.	31 82 19
	7331	32 Printing: Reports; Large Maps; etc.	32
227 95	7332	33 Legal Advertisement	33
106 60	7333	34 Court Reporter	34
515 00	7334	35 Postage	35
1,923 21	7335	36 Telephone	36 230 66
	7337	37 Drayage; Express; etc.	37
	7339	38 Rental, Misc.	38
39 00	7360	39 Dues & Subscriptions	39
		40	40
390 91	7431	41 Capital Outlay: Office Equip.	41
	7434	42 Spec. Equip. (Geol.)	42
	7436	43 Automobile	43
		44	44
250 00	7913	45 Revolving Fund	45
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		48	48
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		54	54
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123,798 60		TOTAL	14,154 04